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GENERAL

1. Estimate of Chinese Communist intentions in Korea--

According to the US Naval Attaché in Taipei, the Chinese Nationalist Ministry of Defense estimates that the Chinese Communists have already crossed the 38th Parallel in the middle sector and intend to penetrate all of South Korea with the object of driving US troops from the country. The Ministry believes that the Communists intend to surround Seoul while simultaneously rushing troops over the most direct route to Pusan; the timing of these moves will depend principally on supply problems, but the Communists will exploit any advantages to be gained through UN discussions or actions.

2. British views on Southeast Asia-- US Consul General Langdon in Singapore reports that at a recent conference of British diplomatic representatives in Southeast Asia it was generally agreed that: (a) conditions in Burma are continuing to improve; (b) opposition in Thailand to the Phibun regime is rising and there is anxiety over commitments to the West; (c) the situation in Indochina is "very gloomy"; and (d) Indonesia is "unsettled but not hopeless," with much hinging on the outcome of the negotiations for the disposition of New Guinea. The conferees were of the opinion that the entire Southeast Asian anti-Communist structure is being shored by Tonkin and that this vital area must be held to prevent further southward advances by Communist forces. They estimated that Ho Chi Minh would launch an attack within two months and that whatever was to be done to stop it would have to be done in the next few weeks.

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3. Dutch-Indonesian disagreement on New Guinea--US Ambassador Cochran in Djakarta shares the concern of his British colleague over the trouble that may result if the Netherlands fails to reach a compromise agreement that will permit de jure transfer of sovereignty over Netherlands New Guinea to Indonesia by the end of 1950. The British Ambassador fears that failure to reach such an agreement would cause the fall of the Natsir Government and that no comparable moderate regime could hold power in view of the disturbed conditions that would ensue. He pointed out that although conditions in Indonesia appear relatively calm, incidents might occur which would set off a chain of violence that could "split East and West over Indonesia and contribute to over-all tension."

(Comment: The conference at The Hague over the disposition of Netherlands New Guinea appears deadlocked following Dutch rejection of the Indonesian proposal for de jure transfer of the disputed area to Indonesia by the end of 1950.)

NEAR EAST-AFRICA

4. INDIA: Government to request US food assistance--US Ambassador Henderson in New Delhi has been informed by the Indian Finance Minister that the Cabinet has made the decision to discuss with US authorities the possibility of obtaining additional food grains for India during 1951. He also indicated his government's interest in the possibility of India's being included in a broader economic aid program, possibly in connection with the proposed Colombo Plan. According to Henderson, the Finance Minister believes that this decision represents a formal turning point in India's economic relations with the US inasmuch as it means that India, after

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careful Cabinet consideration, has come to the conclusion that US economic assistance is vital to the stability of India. Henderson voices his opinion that this decision is of "the utmost significance" because it reveals the crumbling of such opposition as existed previously to closer economic relations between India and the US. He is convinced that even with "possible war in the background" it would be in the national interests to extend considerable economic aid to India beginning in the near future.

5. IRAN: "Powerful forces" working for Razmara's fall-- US Embassy Tehran, in transmitting an analysis of the present situation in Iran, expresses the view that Prime Minister Razmara's fall is not imminent but there are signs that powerful forces are working for that end. The Embassy considers that Razmara, who is ambitious, might not yield gracefully if a real showdown occurs and that "it is not entirely impossible" he might, in the absence of any other immediate, tangible support, even look to the USSR indirectly to help him retain power. The Embassy points out that from the Soviet viewpoint he is certainly the most cooperative Prime Minister in recent years.

EUROPE

6. GERMANY: Attitude toward Schuman Plan--The US High Commission in Bonn expresses the opinion that the majority of German political leaders view the Schuman Plan with reserve. The Commission reports that although the coalition parties still favor the Plan, they are now demanding that certain conditions (principally the elimination of the Ruhr authority and the lifting of restrictions on industry) be met before they

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will vote for its ratification. The Commission adds that although this reluctance to go ahead with the Schuman Plan is partially due to fear of Socialist opposition, the coalition parties' reticence should be regarded in the light of German demands for equality rather than as an isolated development.

Analysis of Grotewohl letter--The US High Commission in Berlin reports that in a recent interview with a Dutch correspondent East German Foreign Minister Dertinger said the Grotewohl proposal to Adenauer for East-West German talks was not designed to lead to an all-German election, but rather to permit the recognition of both German governments as "realities," and enable both sides to accommodate differences in economic and political institutions. Dertinger added that if the Grotewohl proposal for East-West talks was rejected, a plebiscite would be conducted in West Germany. Dertinger reportedly stated that the USSR would consider its security threatened by a material increase in Western forces in Germany, although a West German centralized police force would not be considered such a threat. The High Commission believes this interview is a further Soviet attempt to undercut Western European support for West German participation in European defense and to develop opposition to increased Western allied troops in Germany.

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